

Message Text

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ORIGIN EUR-12

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1RAFTED BY EUR/CE:ENLAUDERDALE:LR
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RPM:JFROEBE (DRAFT)
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OSD/ISA:PLOCKLEAR (DRAFT)
OSD/PA:JFREEMAN (DRAFT)
M/MO:JCLARK (DRAFT)
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SHAPE

C O N F I D E N T I A L STATE 293684

E.O. 11652: GDS

TAGS: MORG, MPOL, GW, US

SUBJECT: ALLEGED JOB LOSSES BY GERMAN EMPLOYEES OF US
FORCES

REF: A) BONN 2074 B) BONN 20366 C) BONN 20237
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1. DEPARTMENT IS AUTHORIZED TO USE FOLLOWING PRESS
GUIDANCE CLEARED BY BOTH STATE AND DOD IN DENYING
RUMORS THAT DOD PLANS TO LAY OFF GERMAN EMPLOYEES OF
ARMED FORCES:

A. THE DECEMBER 2 REPORT OF THE COMPTROLLER GENERAL

(GAO) TO THE SENATE COMMITTEE ON APPROPRIATIONS ENTITLED "DEPARTMENT OF DEFENSE PAY PRACTICES FOR GERMAN NATIONALS SHOULD BE CHANGED" IS AIMED AT REDUCING AND/OR MORE TIGHTLY CONTROLLING THE GERMAN NATIONAL PAYROLL COSTS OF THE DEPARTMENT OF DEFENSE. THE REPORT IS ONLY A RECOMMENDATION TO A COMMITTEE OF CONGRESS. ACTION, IF ANY, WILL BE TAKEN BY CONGRESS AFTER FULL DELIBERATION AND AFTER INPUT BY CONCERNED EXECUTIVE AGENCIES, IN PARTICULAR THE DEPARTMENT OF STATE AND THE DEPARTMENT OF DEFENSE;

B. THERE IS NOTHING REPEAT NOTHING IN THE TEXT

OF THE GAO REPORT TO INDICATE THAT THE US PLANS TO LAY OFF THE 67,000 GERMAN NATIONAL EMPLOYEES OF THE US FORCES IN GERMANY;

C. THE GAO REPORT SPECIFICALLY NOTES FRG CONCERN WITH HOLDING DOWN UNEMPLOYMENT AND URGES CONSULTATIONS

BETWEEN THE FRG AND THE US IN ORDER TO LIMIT RISING LABOR COSTS WHICH ARE LARGELY ATTRIBUTABLE TO THE DECLINE OF THE VALUE OF THE DOLLAR AGAINST THE MARK.

2. FOLLOWING FYI IS VERBATIM TEXT, WITH COMMENTS IN PARENTHESES, OF CONCLUSIONS AND RECOMMENDATIONS OF CONFIDENTIAL

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THE GAO REPORT. AS REPORT IS UNCLASSIFIED, EMBASSY MAY DRAW ON TEXT AS APPROPRIATE.

BEGIN TEXT.

THE ARMY AND AIR FORCE, INCLUDING THE AAFES, EMPLOY OVER 67,000 GERMAN NATIONALS AT AN ANNUAL COST OF OVER \$670 MILLION. AN ADDITIONAL 15,000 US CITIZENS, MOSTLY DEPENDENTS OF DOD EMPLOYEES STATIONED IN

GERMANY, ARE EMPLOYED IN GERMAN POSITIONS. (OF THIS NUMBER, 4,000 ARE PART-TIME EMPLOYEES.) IN GENERAL, WE BELIEVE GERMAN NATIONALS ARE COMPENSATED ACCORDING

TO PREVAILING PRACTICE. HOWEVER, WE BELIEVE DOD COULD REDUCE AND/OR MORE TIGHTLY CONTROL ITS GERMAN NATIONAL PAYROLL COSTS. WE THEREFORE RECOMMEND THAT THE SECRETARY OF DEFENSE:

PERIODICALLY SURVEY WAGES IN THE GERMAN PRIVATE SECTOR IN ORDER TO STRENGTHEN THE US POSITION IN NEGOTIATIONS.

PERIODICALLY SURVEY PRIVATE SECTOR PRACTICES TO

DETERMINE HOW PRIVATE INDUSTRY IS REDUCING OVER-TARIFF
SUPPLEMENTS AND ADJUST DOD'S REDUCTIONS ACCORDINGLY.

EXAMINE, WITH THE GERMAN GOVERNMENT, LABOR COST
SHARING OPPORTUNITIES, SUCH AS GUARANTEEING A
MINIMUM EXCHANGE RATE IN BILLING PAYROLLS.

EXPLORE METHODS TO INCREASE AMERICAN HIRES BY (1)

ASSURING THAT CEILINGS PLACED ON AMERICAN HIRES DO
NOT REDUCE PRESENT EMPLOYMENT LEVELS, (2) DETERMINING
THE IMPACT ON DOD'S PAYROLL COSTS AND EMPLOYMENT
FLEXIBILITY IN GERMANY OF A GERMAN PROPOSAL THAT
PROVIDES CERTAIN DEPENDENTS AND OTHER AMERICANS WITH
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THE SAME COMPENSATION AS GERMAN NATIONALS, AND
(3) HAVING THE AIR FORCE ADOPT THE ARMY'S DEPENDENT
HIRING POLICY OF GIVING PRIORITY TO DEPENDENTS IN
FILLING VACANT GERMAN NATIONAL POSITIONS. (EMBASSY
WILL NOTE THAT THIS RECOMMENDATION, IF IMPLEMENTED,
MIGHT RESULT IN A REDUCTION OF THE TOTAL NUMBER OF
GERMAN NATIONAL EMPLOYEES THROUGH ATTRITION.)

INITIATE A REALISTIC ASSESSMENT OF THE ESTIMATED
SEVERANCE LIABILITY FOR BOTH APPROPRIATED AND NON-
APPROPRIATED FUND ACTIVITIES IN GERMANY. END TEXT.

3. GAO REPORT IS BEING POUCHED TO EMBASSY. CHRISTOPHER

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